

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
INDUSTRIAL DEVELOPMENT BONDS (IDB)**

Meeting Date: July 24, 2007

Request for Initial and Final Resolution and Tax-Exempt Bond Approval

Prepared by: *Deanna Hamelin*

Issuer:	California Enterprise Development Authority (CEDA)	Amount Requested:	\$7,300,000
Borrower:	Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership)	Application No.:	07-0009
User:	Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery	IR & FR No.:	07-0009
Location:	City of Montebello (Los Angeles County)		

BORROWER/USER/BACKGROUND: Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery (the “Company”), was incorporated in California on September 13, 1982. The Company is a wholesale producer of a wide variety of baked and frozen desserts and breads, including croissants, coffee cake, muffins, scones, pastries, bagels, crusty breads, cheesecake, sheet cakes, and cookies. These products are sold through various hotels, restaurants, entertainment venues, hospitality and food service companies including Whole Foods Markets, Denny’s Restaurants, 7-11 Stores, and Hilton Hotels.

For the proposed Project, Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery, will be the Borrower of the bond funds and the User of the Project.

PROJECT INFORMATION: The Company currently leases a 25,000 square foot building in the City of Montebello (the Date Avenue facility), which houses the Company’s manufacturing and administrative operations. This building is leased from an unaffiliated entity, namely, D.E.A.K.F. Partnership, a California Limited Partnership. The Company’s operations have reached maximum capacity at the Date Avenue facility, and there is no available space to accommodate the Company’s desire for increased production capacity. Bond proceeds will be used to finance the site improvements to an existing 45,000 square foot building (the Telegraph Road facility) in the City of Montebello to accommodate a new, modern industrial baking facility. Improvements will include new and upgraded ventilation, electrical, and drainage systems. This building is leased from an unaffiliated entity, namely the Joseph Howard Family Limited Partnership. In addition, bond proceeds will be used for the acquisition and installation of production equipment for the Date Avenue and the Telegraph Road facilities including ovens, mixers, refrigerators, production stations, and freezers.

Anticipated Timeline: It is anticipated that the improvements to the Telegraph facility will be completed prior to the bond issuance which is anticipated to occur in August or September 2007. The funds for the equipment acquisitions at the Date Avenue facility are expected to be disbursed within 24 months after the issuance of the bonds.

Prior Actions/Financing: The Company has no outstanding tax-exempt financings.

Local Government Support: The Company provided a letter from Mr. Michael Huntley, the Director of Planning and Economic Development in the City of Montebello, supporting the Company's decision to open a second manufacturing facility within the city (Attachment A).

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification. Staff assigned points to the Project based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

Public Benefits: Consistent with CDLAC guidelines, the staff has awarded a total of 54 verifiable points to the Project. Twenty-five of the 54 points assigned are based upon the retention of 220 full-time jobs and the creation of 110 jobs.

Relocation of Company Operations (No point evaluation required): The Company will remain at its current location and is expanding to add an additional industrial baking facility that is located one and a half miles from its present facility. Both facilities are located in the City of Montebello.

Qualification of Bond Issuance (No point evaluation required): Based upon the proposed financial structure and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

STATUS OF PERMIT/OTHER REQUIRED APPROVALS:

- The California Enterprise Development Authority (CEDA) approved an Inducement Resolution in an aggregate amount not to exceed \$10,000,000 for the Project on September 20, 2006.
- No land use or zoning approvals or permits are required to accommodate the Company's operations at the Telegraph facility. The Date facility is fully operational, and no additional land use or zoning approvals or permits are required for this Project.
- A TEFRA hearing was held by the City of Montebello on July 11, 2007, and no comments in support of or in opposition to the Project were received.

FINANCING DETAILS: The Project will be funded with tax-exempt Industrial Development Bonds (IDBs) and secured by a Direct Pay Letter of Credit from Manufacturers Bank and confirmed by U.S. Bank.

FINANCING TEAM:

Issuer: California Enterprise Development Authority (CEDA)
Bond Counsel: Kutak Rock LLP
Underwriter: Gates Capital Corporation
Financial Advisor: Growth Capital Associates, Inc.

LEGAL QUESTIONNAIRE: The Staff has reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

RECOMMENDATION: Staff recommends approval of Initial and Final Resolution Nos. 07-0009 for an amount not to exceed \$7,300,000 in tax-exempt bonds for Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery, subject to staff analysis and approval of final bond documents, including receipt of bond counsel's opinion and CDLAC allocation approval, as set forth in Initial and Final Resolution Nos. 07-0009.

LE PAFE, INC., AND/OR A RELATED PARTY (INCLUDING A SOLE PROPRIETORSHIP, TRUST, LIMITED LIABILITY COMPANY, CORPORATION, OR PARTNERSHIP)
Bond Amount: \$7,300,000
City of Montebello (Los Angeles County)
Application No. 07-0009
July 24, 2007

STAFF SUMMARY – CIDFAC
Prepared by: *Deanna Hamelin*

ISSUE:

On behalf of Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery (the “Company”), the California Enterprise Development Authority (“CEDA” or the “Issuer”) requests approval of the Initial and Final Resolution No. 07-0009 for an amount up to \$7,300,000. Bond proceeds will be used to finance improvements to accommodate a new, modern baking facility which includes new ventilation, electrical, and drainage systems. Proceeds will also be used for the acquisition and installation of new production equipment at two facilities, which includes ovens, mixers, refrigerators, production workstations, and freezers.

CDLAC. The Company anticipates applying for CDLAC allocation September 26, 2007.

TEFRA. A TEFRA hearing was held by the City of Montebello on July 11, 2007, and no comments in support or in opposition to the Project were received.

BORROWER/USER:

Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery (the “Company”), was incorporated in California on September 13, 1982. The Company is a wholesale producer of a wide variety of baked and frozen desserts and breads, including croissants, coffee cake, muffins, scones, pastries, bagels, crusty breads, cheesecake, sheet cakes, and cookies. These products are sold through various hotels, restaurants, entertainment venues, hospitality and food service companies including Whole Foods Markets, Denny’s Restaurants, 7-11 Stores, and Hilton Hotels.

The principal stockholders of the Company are as follows:

Jonathan Lau	65%
Valerie Lau.....	35%
Total:	100%

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings. The Company has no outstanding tax-exempt financings.

LOCAL GOVERNMENT SUPPORT:

The Company provided a letter from Mr. Michael Huntley, the Director of Planning and Economic Development for the City of Montebello in support of the Company's Project (Attachment A).

PROJECT INFORMATION:

The Company currently leases a 25,000 square foot building in the City of Montebello (the Date Avenue facility), which houses the Company's manufacturing and administrative operations. This building is leased from D.E.A.K.F. Partnership, an unaffiliated California Limited Partnership. The Company's operations have reached maximum capacity at the Date Avenue facility, and there is no available space to accommodate the Company's desire for increased production capacity. Bond proceeds will be used to finance the site improvements to an existing 45,000 square foot building (the Telegraph Road facility) in the City of Montebello to accommodate a new, modern industrial baking facility. Improvements will include new and upgraded ventilation, electrical, and drainage systems. This building is leased from an unaffiliated entity, namely the Joseph Howard Family Limited Partnership. In addition, bond proceeds will be used for the acquisition and installation of production equipment for the Date Avenue and the Telegraph Road facilities including ovens, mixers, refrigerators, production stations, and freezers.

Anticipated Timeline. It is anticipated that the improvements to the Telegraph facility will be completed prior to the bond issuance which is anticipated to occur in August or September 2007. The funds for the equipment acquisitions at the Date Avenue facility are expected to be disbursed within 24 months after the issuance of the bonds.

Permitting and Environmental Approvals. No land use or zoning approvals or permits are required to accommodate the Company's operations at the Telegraph Road facility. The Date Avenue facility is fully operational and no additional land use or zoning approvals or permits are required for this Project.

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. The points noted below have been awarded based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** The staff assigned a total of 54 verifiable points to the Project, which are detailed below:

Community Economic Need (15 points):

Poverty Rate of Project Area (5 points): The poverty rate for the Project area is 14.2%, which is 134% of the statewide average of 10.6%.

Project located in a Special Designation Area (5 points): The Company provided a letter from the City of Montebello confirming that the Project area is located in the South Montebello Industrial Redevelopment Project Area, which has conditions of blight as defined in the California Health/Safety Code Section 33000 et. (See Attachment A).

Median Family Income (5 points): The Project is located in the City of Montebello, where the median family income is \$41,257. Given that the median family income for the State of California is \$53,025, the median family income for the Project area is 77.8% of the statewide average.

Employment Benefits (Job Creation/Retention (25 points): The Company currently employs 220 direct, full-time employees. The Company will retain its current workforce and anticipates creating an additional 110 positions, which will include 20 management positions and 90 skilled/semi-skilled positions, within two years of completion of the Project. The retention of current employees and creation of additional jobs translates into a ratio of one job for every \$22,121 in bond proceeds.

Health Care Benefits (3 points): The Company provided verification of its contribution to the medical insurance coverage for 130 of its 220 employees and their families. The Company represents that all employees are eligible to participate in the insurance plans once they have successfully completed a probationary period and obtain permanent employment status. The Company's current contribution is \$279 per month for each participating employee.

Average Hourly Wage (1 point): The Company's average hourly wage is \$16.51, while the Metropolitan Statistical Area (MSA) for Los Angeles/Long Beach has an average hourly manufacturing wage of \$14.54. Therefore, the Company's hourly wage is 113% of the MSA wage for Los Angeles/Long Beach.

Land Use (5 points): The Company provided a letter from the City of Montebello stating that the Company intends to use an existing, vacant building to house a second industrial bakery (see Attachment A).

Public Transit Corridor (5 points): The Company provided verification that the Telegraph Road facility and the Date Avenue facility are both located within Public Transit Corridors. The Metropolitan Transit Authority (MTA) bus route 62 runs within ¼ of a mile of the Telegraph Road facility. The Montebello Transit bus route 20 runs within ¼ of a mile of the Date Avenue facility.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will remain at its current location and is expanding to add an additional industrial baking facility that is located one and a half miles from its present facility. Both facilities are located in the City of Montebello.

- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financial structure and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

The Project will be funded with tax-exempt Industrial Development Bonds (IDBs) and secured by a Direct Pay Letter of Credit from Manufacturers Bank with a confirmation provided by U.S. Bank.

FINANCING TEAM:

Issuer: California Enterprise Development Authority (CEDA)
Bond Counsel: Kutak Rock LLP
Underwriter: Gates Capital Corporation
Financial Advisor: Growth Capital Associates, Inc.

RECOMMENDATION:

Staff recommends approval of Initial and Final Resolution Nos. 07-0009 in an amount not to exceed \$7,300,000 of tax-exempt bonds for Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery, which is contingent upon staff analysis and approval of final bond documents, including receipt of bond counsel's opinion and CDLAC allocation approval, as set forth in the Initial and Final Resolution.

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR No. 07-0009

WHEREAS, California Enterprise Development Authority (CEDA) (the “Authority”) has transmitted the application of Le Pafe, Inc., and/or a related party (including a sole proprietorship, trust, limited liability company, corporation, or partnership) dba Le Chef Bakery, (the “Applicant”) for the issuance of \$7,300,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the Commission) that it has adopted a resolution declaring its intention to issue such bonds and that the City of Montebello has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$7,300,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of

substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution,
- (v) Letter of Credit, and

(vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.



City of Montebello

May 17, 2007

Ms. Paula Connors
Executive Director
California Enterprise Development Authority
550 Bercut Drive, Suite G
Sacramento, CA 95814

Re: Le Pafe, Inc./Le Chef Bakery Project, 7547 Telegraph Road, Montebello, CA

Dear Ms. Connors:

I'm writing regarding the Industrial Development Bond ("IDB") financing being considered for the benefit of Le Pafe, Inc. DBA Le Chef Bakery, ("Le Chef"). Le Chef has been a longtime member of the Montebello business community in South Montebello and the City is pleased that the company has made the decision to expand their baking operations by opening a second manufacturing plant in the city.

Because the availability of low-interest rate IDB financing was a key factor in the Le Chef's decision to expand in our community, the City encourages the California Enterprise Development Authority, California Industrial Development Financing Advisory Commission and the California Debt Limit Allocation Committee to take all steps necessary to facilitate the approval of this application for IDB financing.

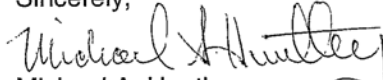
It is Le Chef's intent to utilize an existing vacant industrial building addressed at 7547 Telegraph Road to house their second industrial bakery thus, increasing the job base in South Montebello. The property in question is zoned M-2 (Heavy Manufacturing) and allows the establishment of an industrial bakery as a use by right subject to a City Business License. No additional zoning or land use approvals are required for this use other than the City Business Licenses.

The property in question is also located in the South Montebello Industrial Redevelopment Project Area. This Project Area was established pursuant to the Health and Safety Code to alleviate blight associated with aging infrastructure and underutilization of the properties in the area.

1600 West Beverly Boulevard • Montebello, California 90640-3932 • (323) 887-1200

If you have any questions or concerns related to this letter, please do not hesitate to contact me at 323/887-1475.

Sincerely,



Michael A. Huntley
Director of Planning and Economic Development
Community Development Department

Cc: Jose Bazua, 2007 Ltr. File